

AR44



“At Reichhold...service is everybody's business”

Many ingredients must be combined to succeed in the marketplace.

Capital must be raised to build plants and other physical facilities. Reliable sources of raw materials must be found. Knowledgeable people must be attracted to pinpoint markets, produce the goods and sell them in highly competitive marketplaces.

These are some of the tangible elements – all vital to growth and profitability.

There is another ingredient that bonds all the others together. No matter how well funded and technologically advanced a business is, in the long run it will not prosper unless there is a companywide recognition of the importance of customer service.

At Reichhold Chemicals, Canada Printing Ink and Sears, this key element takes the form of a policy that, by helping customers profit in their own markets, the Reichhold Group will profit too.

It is a policy that places great emphasis on providing customers with a comprehensive range of services.

These cover many different areas: research and development aimed at helping customers meet current and future market needs; in-plant technical assistance to help them with training; quality control maintenance programs; efficient processing, shipping and transporting of their orders; immediate response to their enquiries.

All of these elements are part of a well-defined program to develop close working relationships with customers. The objective of this approach is to fully meet their current needs as well as to be able to anticipate new requirements.

Each member of the Reichhold team realizes that he or she is a direct reflection of the company's attitude towards customer service.

No matter what their role is within the company-answering telephones, receiving visitors, taking customers' orders, checking shipments, driving company tankers, developing specialized products, calling on customers, running a computer – they understand that at Reichhold, Service is Everybody's Business.



Our Year at a Glance

Thousands of dollars except per share items.

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is everybody's business.....**Inside Front Cover**

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Valuation Day Values**Inside Back Cover**

COVER:

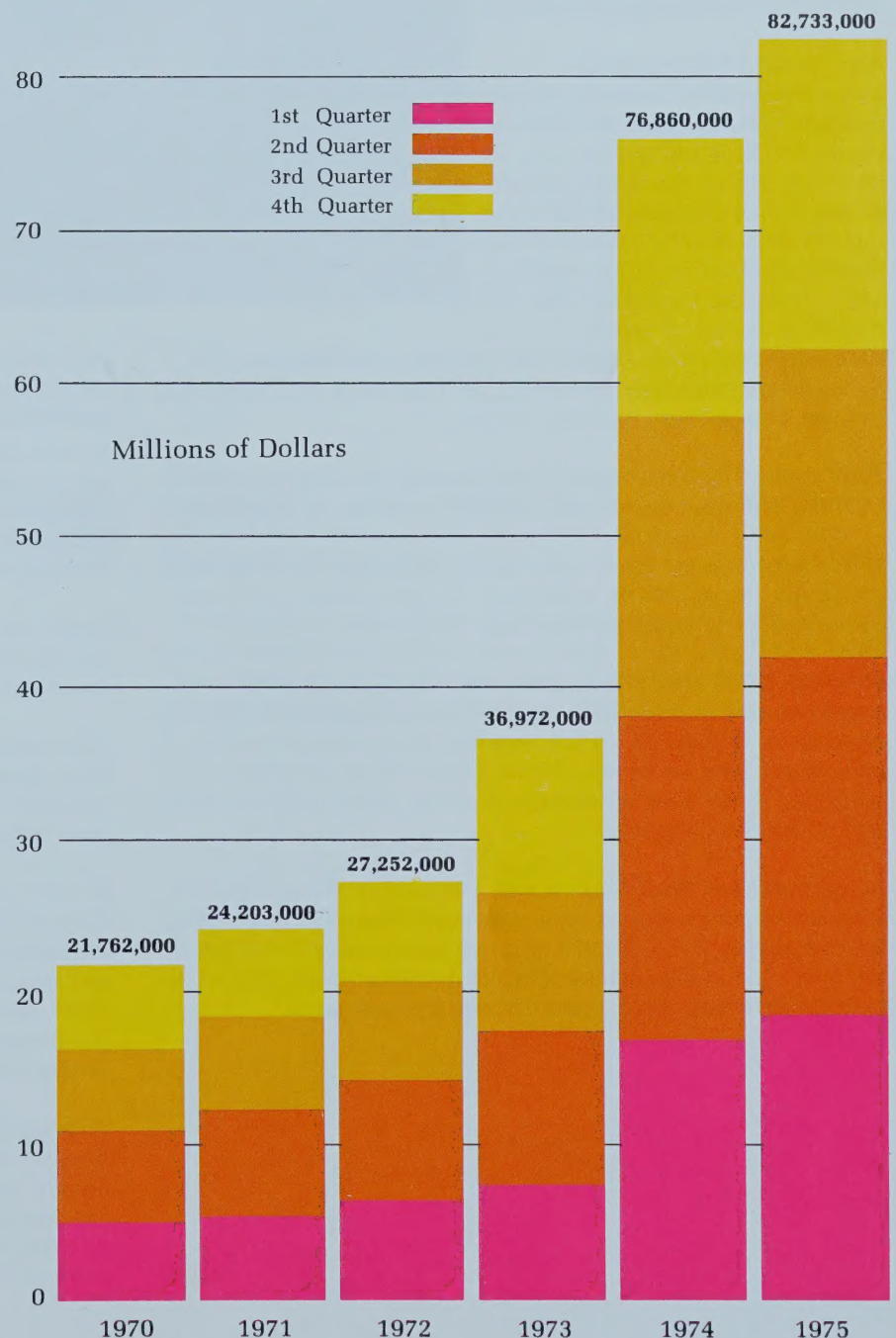
People, are Reichhold's most important resource.

This Annual Report was lithographed on a
20¹/₂" x 28³/₈" Model 72V Heidelberg 4-Colour
offset press, using printing inks manufactured
by The Canada Printing Ink Co. Ltd.

	1975	1974
Net sales	\$82,733	\$76,860
Net earnings	2,375	4,218
Earnings per common share	4.47	7.94
Book value per common share	25.95	22.43

See note at foot of 10 year financial review on page 18

REICHHOLD Consolidated Sales By Quarter



“1975 was the second best year of our history in spite of the economic climate.”

Company sales in 1975 reached \$82,733,000, an all-time record. Profits of \$2,375,000 were the second highest in our history. While 1975 earnings were well below those of 1974, they were in line with the Company's long term growth objectives established a few years ago.

For most companies, 1974 was a very unusual year. The business conditions that prevailed during the year were out of the ordinary and cannot be expected to recur during the lifetime of the average business.

As a result of tremendous increases in raw material prices during the early part of 1974, prices for finished goods also went up. While the dollar value of sales shot up, so did the rate of inflation. The result was that by the end of 1974, and in 1975, inflation began to take its toll in terms of greatly increased operating costs. Concurrently, tonnage sales dropped and major price reductions from both domestic and foreign competitors became evident.

This correcting trend continued through the first quarter of 1975 as business conditions gradually began to stabilize.

While profits were lower during the early part of 1975, they gradually improved by mid-year. On the whole, 1975 was more typical of our business than was 1974.

In effect, 1975 was a year of correction. Indeed, there was some overcorrection. This was because of general economic conditions in Canada which resulted in a static economy, a no-growth year in terms of total Gross National Product. In addition, there were a number of major strikes in industries served by the Company.

In light of these conditions, it was a real achievement that we were able to increase our total sales and to earn the profits that we did during 1975. If 1974 had not been such a boom year, 1975 would have been looked upon as a great year. This is the context in which both years should be compared.



Les ventes de la Société en 1975, ont atteint \$82,733,000, soit un niveau sans précédent. Les profits au montant de \$2,375,000 furent les deuxièmes plus élevés depuis notre établissement. Bien que les bénéfices de 1975 soient beaucoup moindres que ceux de 1974, ils correspondent néanmoins aux objectifs d'accroissement à long terme de la Société établis il y a quelques années.

Pour la plupart des sociétés, 1974 fut une année très particulière. Les conditions des affaires durant cet exercice étaient hors de l'ordinaire, et l'on peut difficilement prévoir la répétition de telles conditions dans un avenir rapproché.

A la suite d'augmentations considérables des prix des matières premières au début

de 1974, les prix de nos produits durent aussi être augmentés. La valeur des ventes en dollars a monté en flèche tout aussi bien que l'inflation. Il en est résulté que vers la fin de 1974 et en 1975, les frais d'exploitation ont considérablement augmentés par suite de l'inflation. En même temps, le volume des ventes a diminué et des réductions de prix de la part de concurrents du pays et de l'étranger sont devenues évidentes.

Cette tendance à l'ajustement s'est continuée au cours du premier trimestre de 1975 alors que les conditions des affaires commencèrent graduellement à se stabiliser.

Bien que les profits aient été moindres au début de 1975, ils se sont graduellement améliorés vers le milieu de l'année. En général, 1975 représente mieux la situation de nos affaires que 1974.

En fait, 1975 fut une année d'ajustement. On pourrait même dire qu'il est survenu un ajustement excessif. Ce fait est attribuable aux conditions économiques générales au Canada qui ont produit une économie stable, une année sans accroissement au point de vue produit national brut. De plus, plusieurs grèves importantes ont eu lieu dans des industries desservies par la Société.

A la lumière des circonstances, c'est un exploit réel d'avoir non seulement réussi à obtenir un tel chiffre de ventes mais aussi d'avoir réalisé de tels profits en 1975. Si 1974 n'avait pas été une année extraordinaire, 1975 aurait été considérée comme une année formidable. Ces deux années financières doivent être comparées dans ce contexte.

During the fourth quarter of 1975 a number of strong sales trends developed for Company product lines. Business in Canada appears to be improving for many of our customers and we expect first quarter sales to be well ahead of last year.

During 1975, our expansion in North Bay was completed. In addition, we made improvements in other production facilities. This combination should enable the Company to increase production and sales in 1976.

Our major new resin plant in Thunder Bay is expected to be completed and operational by May. The level of production at this plant should be very good, as a number of customers are now on stream with new plants that are manufacturing particleboard and other panel products.

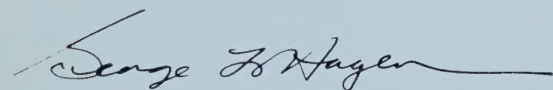
This year's annual report focuses on the team effort that has been developed within the Reichhold group to provide customers with a wide range of services.

This effort involves everyone within the Company. For, whatever their role, all employees realize how vital customer service is to company prospects. At Reichhold, service is everybody's business.

Through this effort, we can continue to maintain our very close relationship with existing customers and to develop the same relationship with new ones.

For this, my thanks go to the employees of the Reichhold group – Reichhold Chemicals Limited, the Canada Printing Ink Company Limited and Sears Limited.

With the anticipated improvement in real Gross National Product, improved business conditions for our customers and our own expanded product lines, 1976 is expected to be a very good year for Reichhold.



GEORGE L. HAGEN
President and
Chief Executive Officer

Au cours du quatrième trimestre de 1975, une plus forte demande s'est manifestée pour la gamme de produits de la Société. Les affaires au Canada semblent s'améliorer pour un grand nombre de nos clients, et tout indique que les ventes du premier trimestre dépasseront de beaucoup celles de l'année dernière.

Durant 1975, nous avons terminé l'agrandissement de notre usine de North Bay, de même que des améliorations des capacités de fabrication. Ces réalisations devraient permettre à la Société d'augmenter la production et les ventes en 1976.

On prévoit pour le mois de mai, le parachèvement et la mise en production de notre nouvelle et très importante usine de Thunder Bay. Le niveau de production de résines devrait être très bon, faisant suite à l'érection récente, par de nouveaux clients, de nouvelles usines de panneaux de particules et autres types de panneaux.

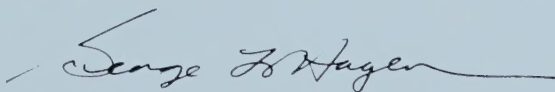
Ce rapport annuel veut mettre en évidence le travail d'équipe du groupe Reichhold accordant ainsi une assistance très variée à la clientèle.

Ce travail d'équipe implique tout le personnel de la Société, car, quelque soit leur rôle, tous les employés réalisent l'importance de l'aide accordée aux clients en perspective. A Reichhold, le service est la spécialité de chacun.

Grâce à ces efforts, nous pouvons continuer à maintenir des rapports très proches avec nos clients actuels aussi bien que futurs.

Pour ces raisons, mes sincères remerciements à tout le personnel du groupe Reichhold, c'est-à-dire, Reichhold Chemicals Limited, The Canada Printing Ink Company Limited, et Sears Limited.

Anticipant une amélioration du produit national brut réel, de meilleures conditions économiques pour nos clients aussi bien que pour notre gamme de produits, Reichhold s'attend à ce que l'année 1976 soit très satisfaisante.



GEORGE L. HAGEN
Président et
directeur administratif en chef



The Reichhold Group management team combines its knowledge and talents with over 650 employees to keep the Company keen and competitive.

“The goal is to have decisions made on the local level”

Reichhold's decentralized management approach emphasises the placing of authority and responsibility in the hands of those who are on the scene and who have the greatest interest in the results.

This process motivates Reichhold people to work as a co-ordinated team. Decisions are seldom the result of an individual effort. They come about through close co-operation among many individuals.

Decisions can be made quickly because of the company's decentralized management.

People from sales, technical, production, shipping and administrative groups throughout the company are considered part of the management team.

They are encouraged to make day-to-day decisions and can call upon the corporate staff for support services.

Major policy and capital spending decisions within the company are the result of co-ordination between the corporate, divisional and local groups. Each has an important role to play. Each group provides vital information without which the right decisions cannot be made.

In today's complex and competitive marketplace this is vital in regard to long term prospects of individual businesses and the company as a whole.

Reichhold's system of local authority and responsibility also has a direct bearing on the quality of service provided to customers.

The opportunity to manage provides company staff with the motivation to give customers highly personalized attention.

This is a key element in Reichhold's program to provide customers with a comprehensive range of services – on the spot, when and where they require them.



Versatile Reichhold resins are used in many ways, including the manufacture of giant air-conditioning ductwork for the Montreal Olympics.



“A united effort to meet each customer’s requirements”

The Reichhold field sales force looks upon a customer’s order as only one element of a comprehensive program to service his requirements.

In effect, they take the view that the sale has just started the moment it is made.

To a large degree the Reichhold sales force acts as the quarterback in a team effort to best serve the customers’ needs.

Their efforts are fully co-ordinated with those of the technical, production and shipping groups to provide customers with a wide range of personalized services.

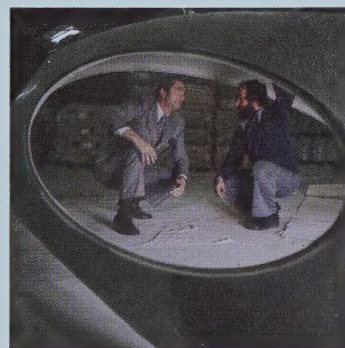
As a product specialist, each member of Reichhold’s sales organization has the capability and dedication required to develop a close working relationship with every customer. He has a thorough understanding of his customer’s business, enabling him to provide many different services.

When a customer is investigating new products, the Reichhold sales representative can serve in a co-ordinating capacity to provide him with assistance from company technical and production people.

During the initial stages of production, in a new plant or for a new product, a customer can avail himself of many different technical services from Reichhold. These might involve product application data or the training of his own production staff.

In these and other situations the direct communication between various groups within Reichhold results in a united effort to meet each customer’s requirements.

This team effort provides the company with two major assets. In the first instance, the company has the opportunity to anticipate each customer’s needs in order to better serve him. And secondly, it gives the company the knowledge it needs to recognize general industry trends that can lead to new business opportunities.



Orders for quality Reichhold products are quickly processed and shipped from plants strategically located across Canada.



“A personal interest in providing prompt, efficient service”

Reichhold customers know from experience that the company's order desks and shipping departments take a personal interest in providing prompt, efficient service. The high level of customer service in processing and shipping orders has been achieved because of a number of factors.

One is the strategic location of Reichhold production centres. These are close to, or within easy reach of, the industries they service. This is particularly important in situations where customers rely on frequent deliveries. They depend on a constant flow of products from Reichhold.

The company sales manager responsible for each product group is often directly involved in scheduling deliveries to customers.

This is part of a co-ordinated effort between the sales force and the production people at each Reichhold plant. The prime objective of this cooperation is to make sure that a customer's order can be filled as efficiently and quickly as possible. The Reichhold order desk staff can immediately notify customers about a shipping date for most products. Every effort is undertaken to adhere to customers' actual delivery needs.

The shipping department pays very close attention to each order to make sure it is delivered to the customer on schedule.

These skilled personnel have an understanding and appreciation of the importance of deliveries as part of Reichhold's goal of servicing customers' needs.

Another element that assures full service to customers is the fact that Reichhold operates its own fleet of modern tanker trucks in many areas. A new addition to the fleet has the capability of being transported as a container on ships or rails, as well as on the road.

All of these efforts are characterized by the personal motivation of Reichhold people to provide the customer with the most comprehensive range of services available.





The Ste. Therese laboratory, along with other Reichhold labs in Toronto, Lindsay and Port Moody, ensures quality and performance of products.

“The customer should be able to profit from Reichhold’s research”

The cornerstone of Reichhold research and development work is to assist customers to compete profitably in their respective markets.

This places great emphasis on research efforts aimed at meeting customers’ current market needs.

To this end, the company’s team of Chemists, Engineers and Technologists applies its scientific knowledge to the practical aspects of how Reichhold products can best be used by customers.

The fact that many Reichhold technical people have had experience within the industries they now service is an important reason why the company is considered a major resource-centre by customers.

Close liaison is maintained between Reichhold technical, sales and production groups in order to fully service customers’ requirements.

Reichhold technical staff frequently consult with customers about new applications and modifications for company products. They also assist customers with the maintenance of quality standards in their own production.

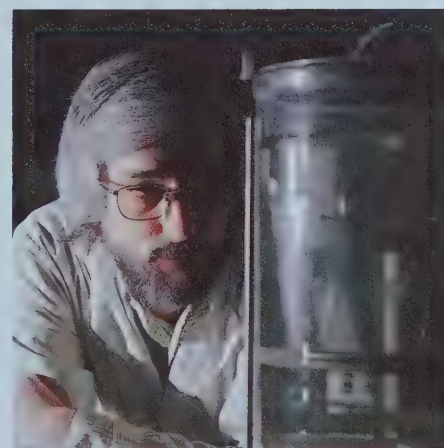
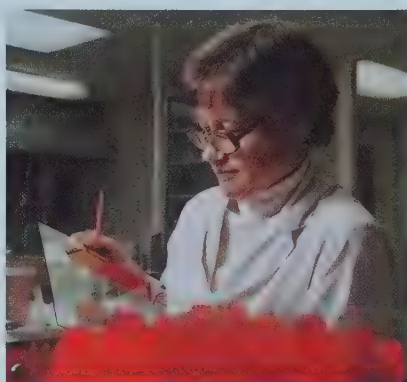
Customers planning new production facilities can avail themselves of numerous services from Reichhold.

These cover such areas as: pre-testing of Reichhold products with customers’ new raw materials; the development of new formulations; engineering assistance related to production methods; the training of customers’ manufacturing staffs in the proper use of Reichhold products; information about safety procedures for the handling and storage of company products.

By locating its technical personnel close to the industries they service, customers’ requirements can be quickly and efficiently met on a regular basis.

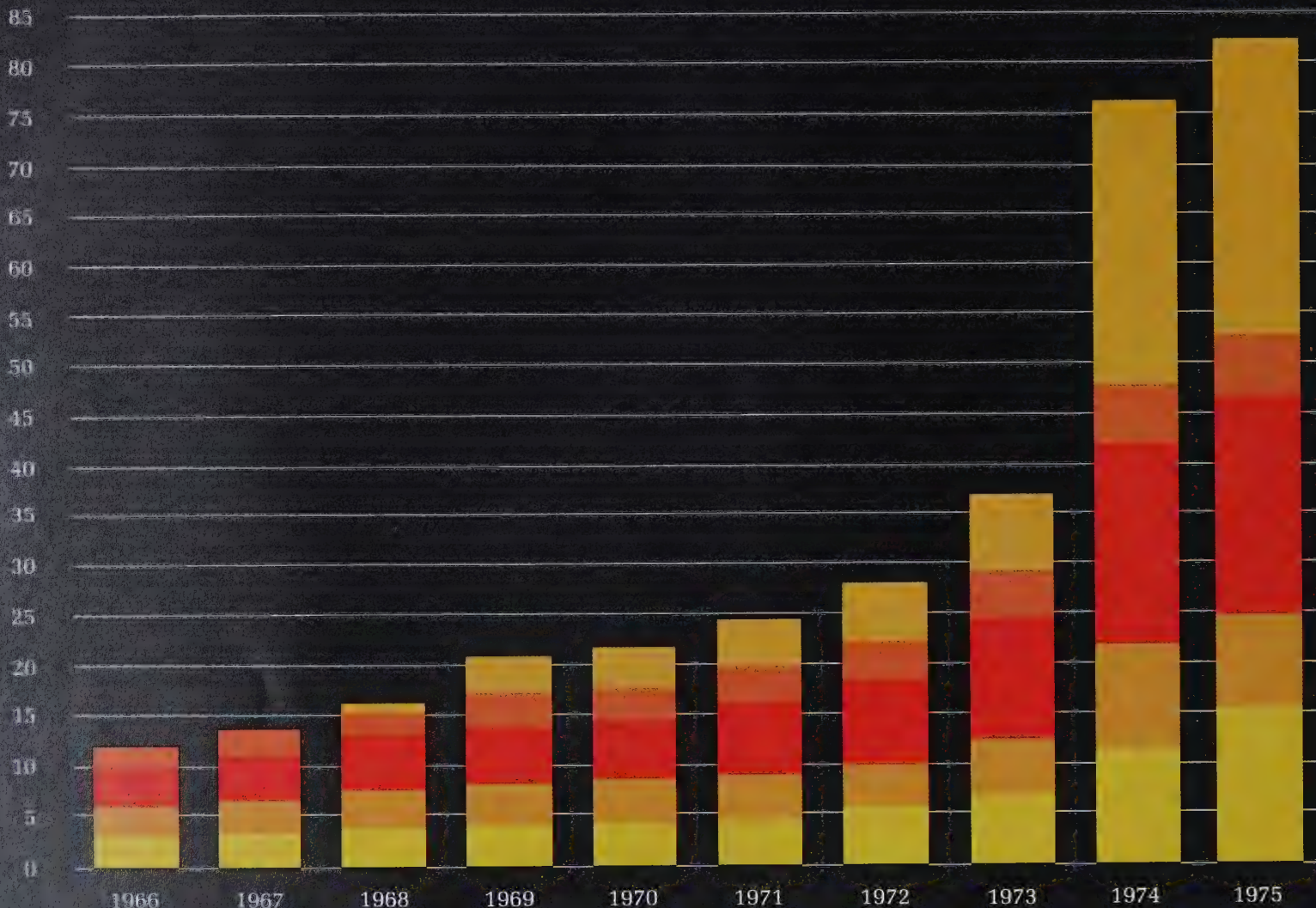
It is the development of a close working relationship that has provided Reichhold with the ability to keep up with industry trends. This has frequently resulted in the company being able to anticipate changing customer needs.

This approach by Reichhold’s technical staff can be summed up in their dedication to the principle that the customer should be able to profit from research. By adhering to this idea, Reichhold can expect to profit too.

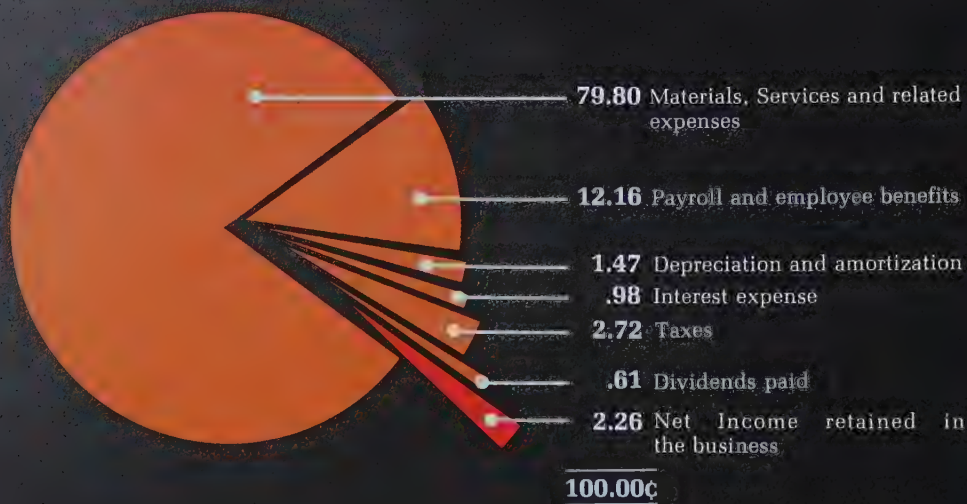


10 Years of Sales Growth

Millions of Dollars



Disposition of sales dollar: 1975



Dollar sales product mix: 1975

35% Printing Inks, Graphic Arts Equipment and Supplies

8% Decorative Overlays, Specialty Industrial Resins, Adhesives, Chemicals, Oils.

26% Resins for Paint, Surface Coatings.

12% Plastics and Moulding Compounds for Electrical Appliances, Transportation, Recreation, Industrial, Decorative Applications.

19% Resins for Forest Products, Plywood, Particleboard, Paper.

Consolidated Statement of Earnings and Retained Earnings

Year ended December 31, 1975 with comparative figures for 1974
(Thousands of dollars except per share items)

	1975	1974
Net sales*	\$82,733	\$76,860
Cost of sales	64,613	57,232
Gross profit	18,120	19,628
Selling, general and administrative expenses	12,685	10,669
Net operating profit	5,435	8,959
Other expenses:		
Interest (note 8)	812	749
Earnings before income taxes	4,623	8,210
Income taxes:		
Current	1,362	3,499
Deferred	886	493
	2,248	3,992
Net earnings	2,375	4,218
Retained earnings, beginning of year	9,261	5,425
	11,636	9,643
Deduct dividends	505	382
Retained earnings, end of year (note 4(d))	\$11,131	\$ 9,261
Earnings per share (fully diluted earnings per share for 1975 \$3.86 1974-\$6.79, note 5)	\$ 4.47	\$ 7.94
The above statement of earnings includes the following charges:		
Depreciation and amortization of leasehold improvements	\$ 1,047	\$ 918
Amortization of deferred charges	16	79
Amortization of goodwill	151	151
Directors' and senior officers' remuneration	428	320

*Net sales by the graphic arts subsidiaries were \$29,478 (1974 - \$28,158).

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

December 31, 1975 with comparative figures for 1974
(Thousands of Dollars)

Assets	1975	1974
Current assets:		
Cash.....	\$ 1,305	\$ 335
Receivables, less allowance for doubtful accounts \$406 (1974 - \$393).....	12,378	10,063
Current portion of lien notes receivable (note 2).....	885	1,306
Inventories		
Raw materials.....	3,404	4,173
Finished goods.....	7,423	7,556
Total inventories.....	10,827	11,729
Prepaid expenses and deposits.....	294	305
Total current assets.....	25,689	23,738
Lien notes receivable (note 2).....	1,843	2,433
Property, plant and equipment		
Buildings.....	5,282	4,172
Equipment and leasehold improvements.....	16,349	12,914
	21,631	17,086
Less accumulated depreciation and amortization.....	9,122	8,075
	12,509	9,011
Land.....	461	335
Net fixed assets.....	12,970	9,346
Other assets, at cost less amortization:		
Goodwill.....	489	639
Deferred charges.....	121	138
	610	777
	<u>\$41,112</u>	<u>\$36,294</u>

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity**1975****1974****Current liabilities:**

Bank advances and acceptances, secured (note 3).....	\$ 9,615	\$ 6,861
Accounts payable and accrued expenses.....	8,493	5,922
Income taxes payable.....	690	2,586
Current portion of long term debt (note 4).....	1,015	1,303

Total current liabilities.....	19,813	16,672
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Long term debt (note 4):

12% note payable.....	972	1,832
8 1/2% sinking fund debentures, Series A.....	3,560	3,780

	4,532	5,612
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Deferred income taxes.....	2,978	2,092
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Shareholders' equity:**Capital stock (note 5)**

Common shares without nominal or par value.

Authorized 2,287,500 shares, issued 531,424 shares.....	1,223	1,222
(1974 - 531,299 shares)		

Contributed surplus.....	1,435	1,435
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Retained earnings (note 4(d)).....	11,131	9,261
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Total shareholders' equity.....	13,789	11,918
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Commitments (note 6)

	\$41,112	\$36,294
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On behalf of the Board: D. G. McNabb, Director, G. L. Hagen, Director.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Reichhold Chemicals Limited and subsidiaries as of December 31, 1975 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as of

December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles which have been applied on a basis consistent with that of the preceding year, except that the unfunded past service pension costs in 1974 were paid and charged to income in that year, as described in note 7.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants,
Toronto, Ontario
February 13, 1976

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1975 with comparative figures for 1974
(Thousands of dollars)

	1975	1974
Additions to working capital:		
Net earnings	\$ 2,375	\$ 4,218
Depreciation and amortization	1,214	1,148
Deferred income taxes	886	493
Additions to working capital from operations	4,475	5,859
Shares issued	1	—
Reduction in lien notes receivable	590	278
Total additions to working capital	5,066	6,137
Deductions from working capital:		
Net additions to fixed assets	4,671	2,795
Dividends	505	382
Reduction of long term debt (note 4)	1,080	1,674
Total deductions from working capital	6,256	4,851
Increase (Decrease) in working capital	(1,190)	1,286
Working capital, beginning of year	7,066	5,780
Working capital, end of year	\$ 5,876	\$ 7,066

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1975

1. Summary of significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries all of which are wholly owned. All material inter-company items have been eliminated.

(b) Inventories:

Inventories of raw materials are stated at the lower of cost and replacement cost and finished goods at the lower of cost and net realizable value except for chemical manufactured goods which are generally at the lower of cost and reproduction cost.

(c) Property, plant and equipment:

Property, plant and equipment are carried at cost. Depreciation on buildings is computed on the declining balance method and on equipment on the straight line method at rates to recover the cost of such assets over their estimated useful lives. Leasehold improvements are amortized over the terms of the leases.

(d) Goodwill:

Goodwill, being the excess of the cost of shares of subsidiaries over the value of their underlying net assets at the dates of acquisition, is being amortized to earnings on a straight line basis over a 10 year period with respect to The Canada Printing Ink Company Limited and over a five year period with respect to Sears Holdings Limited.

(e) Income Taxes:

Deferred income taxes are provided in recognition of timing differences between financial statement and tax reporting. Such timing differences relate primarily to depreciation expense and income recognition on instalment sales secured by lien notes receivable. Investment tax credits are treated as a reduction of the carrying value of the related assets.

(f) Research and development costs:

Research and development costs related to both future and present products are charged against income as incurred.

2. Lien notes receivable:

Lien notes receivable consist of the following:

	1975	1974
	(Thousands of Dollars)	
Gross amounts receivable	\$3,759	\$5,179
Less unearned interest	1,031	1,440
	<u>2,728</u>	<u>3,739</u>
Less current portion	885	1,306
	<u>\$1,843</u>	<u>\$2,433</u>

3. Bank advances and acceptances:

Bank advances and acceptances are secured by a general assignment of receivables and by a pledge of inventories.

4. Long term debt:

(a) 12% note payable:

The note is secured by an assignment of a portion of the lien notes receivable and a charge on all the other assets of a subsidiary company and is payable in monthly instalments to April 30, 1980 out of collections from the lien notes receivable but may be retired in full after January 1977.

(b) 8½% Sinking Fund Debentures, Series A due November 1, 1989:

The debentures are secured by a charge on all the assets of the Company and certain of its subsidiaries except for the receivables and inventories assigned to secure the bank advances. The debentures may be prepaid at the holders' option on November 1, 1979. The Company is required to establish a sinking fund sufficient to retire in each of the years 1976 to 1979 inclusive \$220,000 of the debentures and thereafter is to make equal annual payments reducing the principal amount outstanding to \$800,000 by November 1, 1988. During 1975 debentures in the principal amount of \$220,000 were retired. The debentures are redeemable at the option of the Company, at a premium of 5.80% in 1976 reducing to par in the year of maturity.

(c) New Financing:

The Company entered into an agreement on January 27, 1976 for the sale to an underwriter of \$7,000,000 principal amount of 11¼% Sinking Fund Debentures, Series B, due February 15, 1996 for a total consideration of \$6,807,500 before deducting expenses in connection with the issue estimated at \$120,000. The debentures may be prepaid at the holder's option on February 15, 1986.

(d) Dividend restriction:

Under the most restrictive of the provisions relating to the issue of the above debentures with respect to the payment of dividends \$7,824,000 of consolidated retained earnings at December 31, 1975 would have been free of such restrictions.

5. Capital Stock:

As at December 31, 1975, 99,800 common shares were reserved with respect to share purchase warrants issued in association with the sale of the 8½% sinking fund

debentures, Series A, 125 share purchase warrants having been exercised during the year. Each warrant is exercisable to November 1, 1979 and entitles its holder to purchase one common share for \$12.00 cash.

During 1975 the Company introduced a stock option plan whereby 10,000 common shares have been reserved for purchase by key employees of the Company and its subsidiaries at prices to be not less than the market value as determined by trading on The Toronto Stock Exchange on the day each option is granted. During 1975 options to purchase 2,000 shares were granted at \$17.875 per share exercisable over a period not exceeding five years. None of the options granted has been exercised.

Exercise of the share purchase warrants and options would result in dilution of earnings per share as disclosed in the consolidated statement of earnings.

6. Commitments:

As of December 31, 1975, annual rentals on leased premises amount to \$326,000; leases extend to various dates to 1984. At December 31, 1975, contracts for plant and equipment additions amounted to approximately \$450,000.

7. Pension Plans:

The Company maintains pension plans which cover substantially all of its employees. In 1974, the small balance of unfunded liabilities of such plans which was being discharged and charged to earnings over a period, along with amounts required to fund certain increased benefits relative to past service, which were introduced in 1974, amounting in total to \$585,000, were paid and charged to income in that year, rather than over a period of years as would be required by generally accepted accounting principles. Had the practice of amortizing the amount over a five year period been followed, 1974 net earnings would have increased by \$245,000 (46c a share basic; 38c a share fully diluted) but the effect on 1975 net earnings would not have been material.

In 1975 an actuarial valuation as at December 31, 1974 gave rise to further unfunded liabilities of \$506,000. This amount is being paid and charged to income over a period of 5 years in accordance with generally accepted accounting principles.

8. Interest:

Interest expense (net) is comprised as follows:

	1975	1974
	(Thousands of Dollars)	
Interest on long term debt	\$ 473	\$ 613
Other	892	699
	<u>1,365</u>	<u>1,312</u>
Deduct interest income	553	563
Interest expense (net)	<u>\$ 812</u>	<u>\$ 749</u>

9. Anti-inflation Act:

The Company and its subsidiaries are subject to the Anti-Inflation Act and Regulations which became effective on October 14, 1975 in respect of prices, profit margins, compensation and dividends.

10 Year Financial Review

(Thousands of dollars except per share items)

	1975	1974	1973
Net sales.....	\$82,733	\$76,860	\$36,972
Profit before income taxes.....	4,623	8,210	2,930
Net profit after income taxes	2,375	4,218	1,632
Expenditures on fixed assets	4,671	2,795	2,316
Provision for depreciation and amortization	1,214	1,148	762
Fixed assets at net book value.....	12,970	9,346	7,469
Net earnings per common share*	\$ 4.47	\$ 7.94	\$ 3.38
Dividends paid per common share*	\$.95	\$.72	\$.42
Book value per common share*	\$ 25.95	\$ 22.43	\$ 15.21

***Note**

Calculation of net earnings per common share is based on the weighted monthly average number of shares outstanding during the respective periods. Book value per common share is based on the number of shares outstanding at the end of the respective periods. The number of common shares and per share calculations have been adjusted where applicable to reflect the stock split in December 1968 whereby two additional shares were issued for each share held prior to the split.

1972	1971	1970	1969	1968	1967	1966
\$27,252	\$24,203	\$21,762	\$21,202	\$16,108	\$13,286	\$12,000
1,826	1,046	327	319	631	886	677
981	512	145	217	322	451	368
1,074	677	742	979	392	658	1,217
635	579	525	632	603	586	479
5,014	4,524	4,401	4,175	3,824	3,909	3,842
\$ 2.04	\$ 1.06	\$.30	\$.45	\$.67	\$.99	\$.80
\$.30	\$.24	\$.24	\$.24	\$.21	\$.20	\$.192
\$ 11.95	\$ 10.21	\$ 9.38	\$ 9.31	\$ 8.85	\$ 8.25	\$ 7.48

Reichhold Products

REICHHOLD CHEMICALS LIMITED

Alkyd Resins

For architectural paints, industrial paints, varnishes, wood stains, traffic paints, automotive refinish enamels, primers, sealers, paper coatings, thixotropic paints, marine finishes.

Polyvinyl Acetate Emulsions

For water reducible coatings, architectural finishes, adhesives, textile binders, sealers, paper coatings.

Urea Formaldehyde Resins

For adhesives, particleboard, fiber board, wet-strength paper binders.

Phenol Formaldehyde Resins

For adhesives, plywood, hardboard, particleboard, waferboard, brake linings, coated and bonded abrasives, rubber additives.

Formaldehyde

For phenol formaldehyde resins, urea formaldehyde resins.

Phenolic Molding Compounds

For electrical components, appliance handles, bottle caps, automotive components.

Polyester Resins

For automotive patching compounds, electrical-structural and decorative laminates, sail and power boats, furniture, synthetic marble, buttons, corrosion resistant tanks and pipes, swimming pools, plus a wide variety of leisure products.

Polyurethane Foams

For insulation, flotation, furniture components.

Paper Glue Line

For veneer lamination.

Industrial Overlays

For surfacing plywood used in concrete forms, signs, siding and other exterior applications.

Decorative Overlays

For surfacing plywood, particleboard or hardboard, used in furniture, shelving and cabinets.

Graphic Products

THE CANADA PRINTING INK COMPANY LTD.

Canada Inks

A complete line of letterpress inks.

Tru-Dot Catalytic Process Inks

New cold cure quick dry process inks.

Mix & Match Color Inks

A revolutionary color matching ink system for letterpress and lithographic printing. Computer colour matching.

Ur-O-Web Heatset Web Process Inks

Scientifically developed web heat-set inks. The newest in pollution control.

Web Conventional Inks

A complete set of web printing inks.

UVINK Inks

Ultra-Violet inks. A new concept in printing. The inks dry instantaneously.

Roto-Gravure

Flexographic and gravure printing inks for the packaging industry.

Mix & Match-Roller-Blanket

Press Washes

A complete line of pressroom washes.

Cana-lum Plates & Chemicals

All types of plates for sheetfed and web presses.

Xtra Black

An extra strong black ink which can be used on all papers.

SEARS LIMITED

DISTRIBUTORS FOR:

Bell & Howell Company

Baumfolder Division - paper folders

J. Bobst & Fils S.A.

Cutting and creasing machines

Bostitch

Division of Textron Incorporated
Hand fed stitchers

Brown Manufacturing Company

Prepress equipment

The Challenge Machinery Company

Paper drills

Heidelberg

Printing Machinery

Itek

Reprographic equipment

Jomac

Roller washers

Kenro Corporation

Prepress equipment

Kodak Canada Limited

Graphic arts supplies

3M Canada Limited

Graphic arts supplies

Muller Martini AG

Binding and mailing room equipment

NuArc Company Incorporated

Prepress equipment

Ortman-McCain Company

Spray gun equipment

The Printing Machinery Company

Diecutting equipment

Polar-Mohr

Maschinenvertriebsgesellschaft KG
Paper cutting and handling equipment

F.P. Rosback Company

Paper stitchers and perforators

Ilya Scheinker Inc.

Paper jiggers

Southworth Machine Company

Round cornering and punching machines

Syntron (Canada) Limited

Paper jiggers

Vanderson's

Proof presses

Varn Products Company Incorporated

Graphic arts supplies

Sears and Canada Printing Ink serve the graphic arts industry with some of the finest products that modern technology can provide.





Canada Printing Ink has pioneered new methods, including computer color matching, for faster, more efficient print production.

“A high degree of personalized service”

Canada Printing Ink has a network of production and distribution centres located in key markets across Canada.

Each facility is staffed with people capable of providing customers with a wide variety of products and support services. They are experts in the use of inks and supplies in the graphic arts field.

A number of facilities are operated jointly with Sears Limited, Canada’s leading supplier of graphic arts equipment.

Through these joint operations, customers have available almost any type of equipment or supplies required to efficiently run their business.

As a convenience to customers, Canada Printing Ink and Sears co-publish a 280 page Graphic Products Catalogue. This contains many thousands of products and, in effect, is a one-stop shopping book for the graphic arts industry.

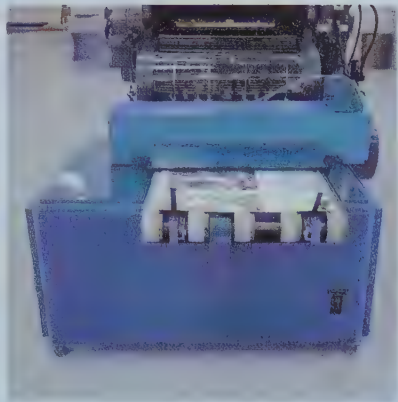
Each Canada Printing Ink location has developed a co-ordinated program to provide a total range of services to the customers within its area. They know from experience that Canada Printing Ink will be there to service them when and where required.

Sales, technical service, production and shipping groups at each branch work together to give every customer a high degree of personalized service.

The goal is to develop a long term relationship with each customer and to provide products, supplies and services that will help him increase productivity and profits.

As a result, customers have come to look upon Canada Printing Ink as a resource firm. In turn, Canada Printing Ink has been able to develop technology to serve the graphic arts industry’s changing requirements.

Canada Printing Ink’s efforts are frequently co-ordinated with those of Sears. This double-barreled approach to servicing the Canadian graphic arts industry has established Reichhold as an important factor among companies in this dynamic field.



Canada Printing Ink people work closely with printers across Canada to ensure their products will continue to serve the customers' changing needs.



"The salesman fully understands customer needs"

Canada Printing Ink's sales force understands the important role it plays in providing customers with a wide range of services.

The company has been willing to make the investment necessary to develop a knowledgeable sales organization. It is a group of experts with extensive know-how about the use of ink and graphic arts supplies for the printing industry.

This assures the customer that the salesman calling on him fully understands his requirements for inks and supplies.

As is the case throughout the Reichhold group, Canada Printing Ink's sales force is a member of a customer service team. Other members of the team include technical experts, production and shipping personnel. All of their efforts are aimed directly at meeting customers' needs.

With company salesmen and technical staff, as well as production centres, located in key cities across Canada, customers are assured of on-the-spot service.

The sales force is trained not only to fill customers' current needs, but to anticipate new requirements resulting from advances in graphic arts technology.

The technical service group works very closely with the field sales force; indeed, this group is considered an arm of the sales organization. It provides various support services for the sales group. Customers can receive personalized assistance in the proper use of inks on various printing presses; matching of inks; or the training of their own staff to acquaint them with new products.

Growth in the graphic arts industry has been dramatic in recent years. To fully service the industry's needs, Canada Printing Ink has developed new programs to assist small firms or those just starting in the business.

The company's new TELESAVE program provides such customers with the convenience of direct telephone service from a Canada Printing Ink representative. The customer can place orders and get information about the use of company products.

The comprehensive view of the relationship between service and sales is an important element in Canada Printing Ink's program to reinforce the close working relationships it has with present customers, and to develop new ones.



The latest Graphic Arts equipment from around the world is displayed and demonstrated at Sears showrooms across Canada.



“Sears management...in touch with customers’ needs now and in the future”

Sears management knows that succeeding in business comes from maintaining a close working relationship with their customers. That means constant customer contact to ensure the Sears range of products is relevant to the changing operational needs of the customer, and that Sears service continues to be responsible to the daily customer requirements.

It takes years of experience, seasoned judgment and specialized ability at all levels to keep Sears finely tuned to its customers’ needs. So Sears pays special attention to creating a climate of growth for each employee, so that the Company’s needs, and the individual’s needs, are being met.

Sears management and staff are constantly updating their knowledge through product training programs, business and management seminars. The result is a high calibre of decentralized management at the operational level. This management team is capable and ready to make responsible decisions affecting the continued success of both their customers and themselves.

Aside from day to day operations, Sears management must concern itself with the future of the business. It is their job to ensure that the Company will have the people and product resources needed for the conduct of the business, five, ten, even twenty years ahead.

This means thoughtful planning with a sensitivity to the needs of customers, the industry, and the economic climate in which they will operate. And it means that management and staff, working as a team, must look long and hard for new products and new methods to keep customers and themselves competitive and successful.





Sears installs the best in bindery equipment for the job, and follows up with regular service and expert operating advice.

“The secret of sales success... stay with a proven formula”

Sears' success is based on a fundamental idea and one that is as true today as it was when they started in business fifty-one years ago. Simply stated, “successful customers are good for business”. Sears works very hard to help its customers succeed. Sears people know that with their customers' success comes their own success.

So everything the company does is geared toward making its customers' plant production more efficient and more profitable. They start at the beginning, before a sale is made, with an uncommon understanding of the economic elements of successful print production. This specialized production knowledge, available to the trade at all times, is combined with a broad range of the finest printing products, technical expertise and an after-sales service that is often regarded as the best in the industry.

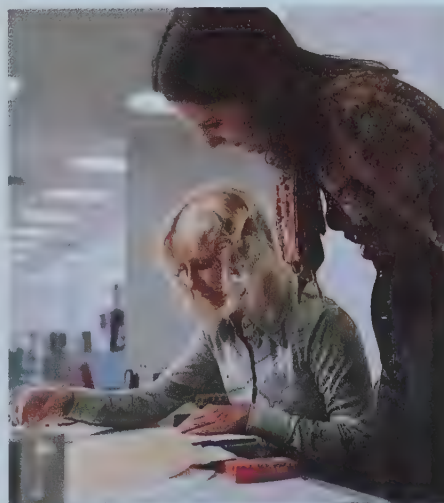
The result is a growing list of satisfied and successful customers. They rely on Sears not only for high quality printing equipment and day to day production supplies, but also for the way in which they provide for their production needs.

Sears customer-oriented approach means that everyone, from telephone operators to technicians, from salesmen to shippers, works as a team to advise customers about new methods and machinery, to repair equipment promptly and properly, and to ensure materials are shipped in an uninterrupted flow to meet the customers' production schedules.

Knowledgeable sales people are backed by technical experts and product managers who make frequent field trips to help keep customers on top of the rapidly changing printing technology. To get the most out of Sears equipment, they help train a customer's staff, or bring in a team of specialists from the European and American manufacturers they represent.

What Sears did yesterday and what it will do tomorrow depends on how successful their customers are today.

So Sears people work together in sales to ensure that their graphic arts customers get what they need – quality Sears products, service, and, above all, success!

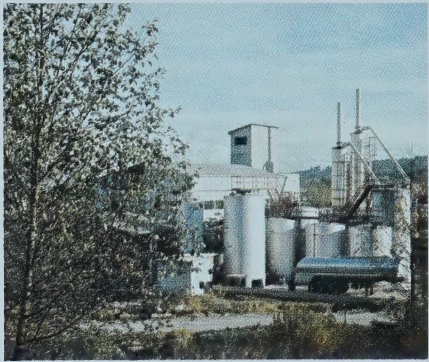
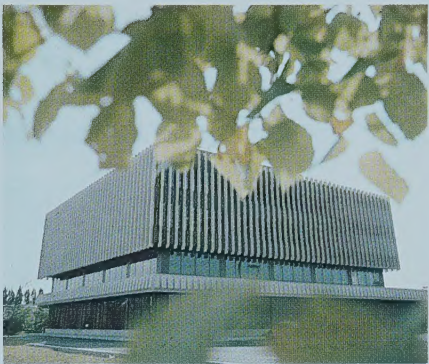


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A man in a tan jacket and patterned tie stands at a counter, looking at a large sheet of paper. He is holding a pen and appears to be writing or signing the document. A woman in a patterned dress is partially visible behind him.

The Reichhold Group

Reichhold manufacturing facilities are strategically located across Canada to provide customers with fast, efficient service. By being close to its customers, Reichhold can often anticipate their changing product requirements resulting from advances in their own technology.



Directors and Officers

Directors

ROBERT J. ADAMS
Vice-President, Eastern Division,
Reichhold Chemicals Limited

CHARLES B. BREEDLOVE
Executive Vice-President,
Reichhold Chemicals, Inc.

PETER J. FASS
President,
Reichhold Chemicals, Inc.

BRIAN GALLAGHER
Vice-President, Finance,
and Treasurer
Reichhold Chemicals Limited

GEORGE L. HAGEN
President and
Chief Executive Officer,
Reichhold Chemicals Limited

DONALD G. McNABB
Executive Vice-President,
Reichhold Chemicals Limited

WILLIAM H. MUNDEN
Vice-President & General Manager,
The Canada Printing Ink
Company Limited

HENRY H. REICHHOLD
Chief Executive Officer,
Reichhold Chemicals, Inc.

WILLIAM H. SEARS
Vice-President & General Manager,
Sears Limited

BRIAN W. SHIELDS, Q.C.
Partner, Law firm of Tory, Tory,
DesLauriers & Binnington

Officers

H. H. REICHHOLD
Chairman of the Board

G. L. HAGEN
President and Chief Executive
Officer

D. G. McNABB
Executive Vice-President

R. J. ADAMS
Vice-President, Eastern Division

W. L. ANDERSON
Vice-President,
Business Development

A. B. DAVIE
Vice-President, Western Division

B. GALLAGHER
Vice-President, Finance and
Treasurer

D. J. McLEOD
Vice-President, Central Division

R. T. O'SHAUGHNESSY
Vice-President, Administration

L. ROY
Vice-President,
Sales, Eastern Division

T. I. PAUL
Comptroller

B. W. SHIELDS, Q.C.
Secretary

Plants and sales offices

Islington, Ontario (Head Office)
Weston, Ontario
Ste. Thérèse de Blainville, Quebec
Lindsay, Ontario
North Bay, Ontario
Thunder Bay, Ontario
Kamloops, British Columbia
Port Moody, British Columbia

Principal subsidiaries

The Canada Printing Ink Company Limited

Halifax, Nova Scotia
Moncton, New Brunswick
Quebec City, Quebec
Montreal, Quebec
Ottawa, Ontario
Toronto, Ontario
London, Ontario
Winnipeg, Manitoba
Edmonton, Alberta
Vancouver, British Columbia

Sears Limited

Moncton, New Brunswick
Quebec City, Quebec
Montreal, Quebec
Ottawa, Ontario
Toronto, Ontario
London, Ontario
Saskatoon, Saskatchewan
Winnipeg, Manitoba
Edmonton, Alberta
Calgary, Alberta
Vancouver, British Columbia

Registrar and Transfer Agent Common Stock:

National Trust Company, Limited
Toronto, Montreal, Vancouver,
Calgary, Winnipeg

Auditors:

Peat, Marwick, Mitchell & Co.
Commerce Court West,
Toronto

Head Office

600 The East Mall,
Islington, (Toronto), Ontario
M9B 4B1

Valuation Day

For Canadian capital gains tax purposes, the Valuation Day value of Reichhold Chemicals Ltd. securities on December 22, 1971, as established by the Department of National Revenue were the following:

Debentures:

8¹/₂% due November 1, 1989 \$100.00

Common Shares: \$ 9.00

